



# *National Association of Letter Carriers*

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**House of Representatives**

**Subcommittee on Federal Workforce, Postal Service, and the District of Columbia**

**Danny Davis, Chairman**

**Testimony of**

**William H. Young**

**President**

**National Association of Letter Carriers**

**April 17, 2007**

Affiliated with the AFL-CIO &  
Union Network International

Good morning, Chairman Davis, Ranking Member Marchant and other members of the sub-committee. Thank you for the opportunity to testify today in the first oversight hearing of the 110<sup>th</sup> Congress regarding the United States Postal Service. My name is William H. Young. I am the President of the National Association of Letter Carriers, a national labor union that is privileged to represent more than 300,000 active and retired city letter carriers across the United States. NALC was founded in 1889 to advance the well-being of the nation's letter carriers and to support the maintenance of affordable and universal postal services in America. It has served as the exclusive collective bargaining representative of city letter carriers since 1962.

I want to begin by thanking you Chairman Davis and Chairman Henry Waxman of the full Oversight and Government Reform Committee for reestablishing a sub-committee to monitor and oversee the United States Postal Service. The Postal Service is an important national institution whose health and viability is essential to the national economy and, indeed, to the country at large. It deserves the kind of attention a sub-committee can offer.

I also want to thank the Chairman for his leadership over the past several years as Congress debated postal reform legislation. Thanks to him and the bipartisan partnership he established with Chairman Waxman and Congressmen Tom Davis and John McHugh, Congress enacted a reform bill that is largely positive and fair to all concerned. It preserved affordable universal service financed by a limited postal monopoly, protected the collective bargaining rights of postal employees and stabilized the Postal Service's finances by securing tens of billions of dollars to eliminate the Postal Service's unfunded liability for retiree health benefits over the next 10 years. Thanks to this action, the Government Accountability Office has taken the Postal Service off its list

of financially endangered federal agencies. Thank you Mr. Chairman and thanks to all who worked to make postal reform a reality.

Of course, the reform bill, like all legislation, is not perfect and its passage will not solve all the Postal Service's problems. The Postal Service is still adjusting to the Internet age, and internal management decisions and the quality of labor relations will also be important to the long-term survival of the Postal Service. But the legislation is a good start and its enactment clears the way for further reforms in the future. Indeed, NALC looks forward to working with this sub-Committee in the years to come to advance further legislative reforms. Securing Medicare Part D funding for the Postal Service, now blocked by the Bush administration, and eliminating the transfer of postage ratepayer funds to the United States Treasury to finance FERS military benefits are among these needed reforms.

Today, however, I would like to focus on a very serious threat to the future of the quality and sustainability of the United States Postal Service. In recent years, the Postal Service has adopted a fundamentally misguided policy of outsourcing the final delivery of mail to new delivery points whenever and wherever it can. I am here today to sound the alarm on this "penny-wise but pound-foolish" business strategy and to urge Congress to put a stop to it. Contracting out an inherently governmental function like mail delivery, one of the few government services specifically mentioned in the Constitution, is wrong. Employing part-time, low-wage workers with no benefits will harm service over time. The inevitable high level of turnover among contract carriers will break the trust Americans have developed with the Postal Service through their long-term contact with dedicated, career letter carriers. Indeed, that connection has helped make the Postal Service the most trusted agency of the federal government according to a recent survey of

Americans concerning privacy rights. This trust is also essential to major mailers. Few enterprises, public or private, can contract out their core functions and survive. The Postal Service is no different. Uniformed letter carriers and clerks are the public face of the Postal Service; they represent the brand so to speak. Outsourcing your brand might save you money in the short term, but it is sure to backfire over the long run.

In fact, many of the leaders of the mailing industry who worked in coalition with us on postal reform legislation have told me directly that the introduction of Intelligent Mail will require even more dedicated and better skilled letter carriers in the future. In view of the importance of IM in the future, the widespread use of contractors is fundamentally inconsistent with the Postal Service's overall business strategy. It also contradicts the basic policy outlined in the nation's postal law, which calls on the Postal Service to "place particular emphasis on opportunities for career advancement" of its employees and to support their "achievement of worthwhile and satisfying careers in the service of the United States."

Yet the Postal Service appears dead set on a policy of outsourcing new deliveries across the country. Although a small percentage of total deliveries are contracted out today, with the addition of 1 - 2 million new deliveries each year, it would not be long before a two-tier system of delivery began to undermine the trust and service quality of the Postal Service. Congress should act to stop the cancer of contracting out now before it spreads and undermines the most affordable and efficient post office in the world.

Now the Postal Service would have you believe that contracting out final mail delivery is nothing new and no big deal. I have seen the document it distributed to every Member

of Congress last week. It is one of the most misleading pieces of paper I have ever read. It suggests that nothing has changed and that the Postal Service has always used contractors to deliver the mail. That is simply not true. Yes, it has long used contractors to transport mail between post offices and to do occasional deliveries en route in rural areas. Such contractors have long been authorized by the law. But using contractors to deliver mail in urban and suburban settings without any connection to the bulk transportation of mail is something totally new. Indeed, the Postal Service has embarked on a radical expansion of pure delivery outsourcing, following the same misguided tactics used by many private companies to suppress wages and destroy good middle class jobs, replacing them with lower-paid contingent and part-time positions. Personally, I find this blatant attempt to mislead the Congress infuriating.

In reality, the Postal Service's embrace of outsourcing delivery has evolved over the past several years. It began with the expansion of traditional Highway Contract Routes or HCRs in areas traditionally served by rural letter carriers and evolved into an expanded Contract Delivery Service (or CDS) now being rolled out in suburban and even urban areas. In many areas, the Service is contracting out new deliveries in established city delivery territory. It is worth examining the evolution of these contract routes.

Highway Contract Routes have been around for decades. They were typically used to transport mail between rural post offices and to serve extremely low density areas. Even today, the Postal Service will only convert a rural route to an HCR if delivery density falls below one delivery point per mile. Neither the NALC nor the National Rural Letter Carriers Association objects to these traditional HCRs. However, in 2003, the Postal Service deleted a provision in its Postal Operations Manual that HCRs be used in "sparsely populated areas." At that time, there were only 5,872 HCRs across the country.

This internal policy change seems to have opened the way for the extension of contract delivery to areas long served by career employees. Despite assurances made to NALC at the time that the change was not intended "to change the Postal Service's policy or practice in the establishment, extension or conversion of [HCR] routes," the Postal Service proceeded to add 1,257 new HCRs by the end of Fiscal Year 2004, an increase of 21.4 percent that raised the total to 7,129 contract routes.

In 2004 and 2005, the Delivery Programs Support unit at the Postal Service's L'Enfant Plaza headquarters initiated an "HCR Enhancement and Expansion Program." A copy of the slides used by management trainers is provided for the record. That presentation predicted a 34 percent increase in HCR routes over the next 10 years. By this time, the Postal Service knew that its new policy would be controversial. As the last slide of the training program indicates, there were a number of potential problems with HCR routes, which the USPS identified as "possible obstacles/barriers to success." You will note that number one on that list of obstacles was "Congressional Influence."

They had good reason to worry about Congressional opposition. In the summer of 2005, the House of Representatives voted 379 to 51 to oppose an amendment offered by Representative Jeff Flake to the soon-to-be passed postal reform bill (H.R. 22) to experiment with privatization and alternative forms of delivery in 20 cities across the country. I note that the current members of this sub-committee opposed the amendment by a vote of 10-1.

By 2006, despite the demonstrated opposition of Congress to outsourcing, the Postal Service was openly advocating contract delivery as a "growth management" tool. As an indication of its intent to further extend contracting out to urban and suburban areas, the

Postal Service introduced Contract Delivery Service or CDS routes, which bear no relation to traditional highway transportation routes. CDS contractors are to wear USPS-issued shirts and receive just six hours of training before performing delivery work. But they will receive the same low pay and no benefits afforded HCRs. Indeed, a management training presentation used in the Seattle District of the Postal Service outlines the factors that explain why "contract routes are more cost-efficient." Among the factors listed are: "no health insurance," "no life insurance," "no retirement" and "no tie to union agreements." I am not sure the erosion of middle class employment standards can ever be called "efficient."

We have seen the future of delivery as envisioned by the Postal Service and it is not pretty. Recent decisions to outsource hundreds of deliveries in new buildings in New York City and Oregon provide good examples and paint a depressing picture. The Postal Service has awarded a CDS contract to a man to deliver to a new condo building in the Bronx that is surrounded by buildings now served by city letter carriers. It pays the contractor \$16,800 annually for one and a half hours of work per day. In this case, I am not even sure that qualifies as penny-wise, but it is certainly pound-foolish. In Beaverton, Oregon, a suburb of Portland, the Postal Service delayed mail delivery to a new 374-unit housing development for two months while it searched for a CDS contractor. It pays the son of a Beaverton Post Office manager \$118 per day to serve 20 community mail boxes in the development. This is a far cry from a traditional HCR of yesteryear, the misleading claims of the Postal Service notwithstanding.

Mr. Chairman, what the Postal Service is doing is not business as usual. It is true that only 2 percent of all deliveries are now delivered by contractors. But the USPS has clearly signaled its intent to give as many new deliveries as possible to low-wage, no

benefit contractors. If this is not stopped now, a two-tier system of mail delivery will develop in this country. In 10 or 15 years there could be tens of thousands of contractors out there. When your constituents begin to complain, they will not call me. They are going to call you.

I urge this sub-committee to consider legislation to block the Postal Service from taking the low road that far too many employers in this country have adopted. The Postal Service should not contribute to wage stagnation and add to the tens of millions of workers without health insurance or adequate pension protection. Indeed, the Postal Service has been and should remain a model employer. It has combined decent pay and wages with ongoing innovation to keep postage rates low and affordable. It does not need to join the race to the bottom with respect to employment standards. And it should not gamble with the trust and support of the American people.

I know that you did not work a dozen years on postal reform only to see the Postal Service turn around and throw it all away. I didn't either.

Thank you again, Mr. Chairman and thanks to all the members of the committee for the chance to testify.



# **APWU** **CONGRESSIONAL TESTIMONY**

**American  
Postal  
Workers  
Union,  
AFL-CIO**

**WILLIAM BURRUS**  
PRESIDENT

**Before The**

**SUBCOMMITTEE ON FEDERAL WORKFORCE,  
POSTAL SERVICE AND THE DISTRICT OF  
COLUMBIA**

**TESTIMONY OF WILLIAM BURRUS,**

**PRESIDENT**

**AMERICAN POSTAL WORKERS UNION,  
AFL-CIO**

**(April 17, 2007)**

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Mr. Chairman and members of the Committee. On behalf of the American Postal Workers Union, thank you for providing me this opportunity to testify on behalf of more than 300,000 dedicated postal employees we are privileged to represent. I commend the Committee through your leadership, Mr. Chairman, for fulfilling your responsibility of oversight of this important institution.

We begin a new era in the long and proud history of a Postal Service that predates the founding of our country. Over the past four years, we have debated the future of the Postal Service, and now, the long struggle to achieve reform has been concluded with the passage of the Postal Accountability and Enhancement Act. We now turn our attention to its implementation.

As you may recall, our union opposed postal reform because we viewed it as a veiled effort to undermine collective bargaining through regulatory restrictions and rate caps. We did not prevail, and we now lend our best efforts to making it work.

In this new world of postal reform, each institution must now find its rightful place. You legislate, unions represent, and managers manage. When these responsibilities overlap, and they do, the system can break, and more often than not, service and workers suffer. As inviting as it may be, when you are asked to intervene with legislative action in areas best left to other parties, I request that you resist the temptation to do so. To borrow a phrase from postal critics, we ask, with deep respect, that you "stick to your knitting."

In debate preceding the passage of postal reform, the record was littered with forecasts of gloom and doom for hard-copy communication. Predictable rate increases within the CPI, coupled with regulatory oversight, were declared essential to "save" the United States Postal Service. After much legislative give-and-take, we are now proceeding with implementation of a new business plan. But none of the uncertainties that were cited to justify postal reform legislation have been resolved. The gloom-and-doom scenarios never reflected reality, and the uncertainties that prompted these dire projections remain unaffected by reform.

Although the record is closed and the bills are now law, on behalf of the APWU members, I assert that we will never accept as fair the changes included in postal reform legislation that limit compensation for postal employees – and postal employees only – who are injured in the performance of their work. This was an injustice and our union will not rest until it is reversed.

Your overview of the United States Postal Service is occurring at a watershed moment in the history of this vital American institution. With the passage of the PAEA, the Postal Service is facing new challenges, including working within an annual rate cap and finding a way to support itself by managing services that compete directly with private-sector companies. The Postal Service faces these challenges under rules that have yet to be written by the Regulatory Commission, a newly created body with awesome powers and responsibilities.

The recent Commission decision regarding the USPS request for rate adjustments is a positive sign. It indicates that the Commission intends to serve as an independent reviewer of the postage-rate structure. Under the leadership of Chairman Blair, commissioners gave careful consideration to the record, buttressed by the positions of many interveners, and they arrived at fair conclusions.

I commend the commissioners for their thoughtful and just decision to recommend a first-class rate unburdened by excessive workshare discount subsidies. The American Postal Workers Union is proud that we were the only intervener to propose a 41-cent first-class stamp, rather than the 42-cent stamp sought by the Postal Service. And we are pleased by the Commission's conclusion.

The Board of Governors and the Commission are also to be commended for conceiving and approving the Forever Stamp. The very concept is a reflection of new and innovative thinking.

We also applaud the Commission for rejecting the radical proposal referred to as "de-linking," which would separate the rate for single-piece first-class letters from the rate for first-class workshared letters. This proposal, if adopted, would have set the stage for a continual decline in the uniform rate structure, culminating in one rate for major mailers – who have the capability to barcode, transport, and sort their mail – and another rate for individual citizens.

The Commission must be watchful far into the future and resist the demand to erode the very foundation of our mail system: universal rates and uniform service. The British postal system has announced plans to begin "zone pricing" that could lead to higher rates for the delivery of mail to rural areas. But this disparity is not one that we would tolerate in America.

Throughout the debate on postal reform, the American Postal Workers Union was a vocal critic of excessive workshare discounts, and we applaud the recent recommendation of the Rate Commission to initiate change. This is a start, and we hope to work with the Commission in the appropriate review of a whole range of discounts to determine their relationship to the cost-avoided standard.

My union has a long history of engagement in the USPS effort to consolidate the processing network, and in communities throughout the country we have called upon elected public officials to join us. I am not aware of a single congressional representative who has rejected our appeals to require the USPS to seek meaningful community input prior to making a final decision. The record is clear: With your help, we have been successful in preserving service, protecting local postmarks, and defending community identity.

The APWU has also been a consistent advocate for postal efficiencies. We did not appeal for your assistance when postal officials engaged in a massive investment in automation designed to enhance productivity. More than \$20 billion has been invested in the automation of mail

But there is a line between efficiencies and service. Highly-publicized experiences in Chicago, Boston, and New Mexico demonstrate that postal management has not yet found the right balance. This "chase to the bottom" for savings cannot justify denying the American public a service that is required by law. Our union and our nation's citizens reject the Circuit City business model as one to be copied for mail services. We shall need your oversight to hold the Postal Service accountable.

APWU members are proud to be a part of the most efficient postal service in the world. We intend to be a part of a team effort to preserve this legacy, including working with this committee and other members of Congress who have an interest in an efficient Postal Service.

In closing, Mr. Chairman, I want to take this opportunity to speak directly to the Committee about a unique matter pending before the Postal Service, and to seek the Committee's assistance in its resolution. For many years, I have been advocating that the Postal Service issue a commemorative stamp honoring the millions of slaves whose work in bondage contributed so much to building this country.

I have made some progress in these efforts, and the Postal Service has agreed that a stamp will be issued in 2008 honoring those human beings who suffered so much for so little reward. Unfortunately, we may be in disagreement over the image to be depicted.

The Stamp Committee is proposing to depict a ship transporting slaves across the ocean. I ask simply, "Do we honor the oppressed or the oppressors?"

Tens of millions of human beings completed their life journey without notice, and this stamp presents an opportunity to display their image – to tell their story in a stamp. After 400 years, it's the right thing to do.

I thank you, Mr. Chairman, for your leadership and that of the members of this oversight committee. As we embark on the future under a new business model, we shall need your attention and your wisdom. Thank you for your efforts.

I would be pleased to respond to any questions you may have.